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2024 Global Proxy Season Halftime Report Note

Contents

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INTRODUCTION

This 2024 global proxy season halftime report covers current progress of the main Americas, Europe and Asia proxy seasons, detailing noteworthy developments and insights from the various proxy seasons thus far. Topics covered in the note include significant season trends to date as well as upcoming key meetings of focus for our clients. The note also includes a preview of the upcoming Japan main proxy season and a special update reviewing the recently concluded 2024 Korea proxy season.

North America

The 2024 Canadian season is approaching the halfway mark, while AGMs for about a third of Composite Index companies are in the rearview mirror, and the majority of large financials have already held their AGMs. The peak dates for companies in the energy sector will extend through May 10.

In the U.S., as of April 30, ISS had published 2000 meeting reports, including nearly 300 of the S&P 500, reaching well beyond the midpoint of the main U.S. proxy season, measured by volume of reports.

Canada

Canada is seeing several shareholder proposals this proxy season asking companies to hold in-person shareholder meetings, with a virtual component serving as a complement. Many institutional investors and groups in Canada such as the Canadian Coalition for Good Governance (CCGG) have expressed discomfort with the prospect of virtual-only meetings becoming a permanent fixture, and this has largely been reflected in the early voting results this season. Shareholder support for the proposals at the first six meetings that have reported a result has averaged 50.6 percent, inclusive of a controlled company where the proposal only received approximately 17 percent support. Four of the six proposals received majority support.

Meanwhile, support levels for E&S shareholder proposals have generally continued to trend downward. One notable exception was **TD Bank** where a request for disclosure of the bank's climate transition plan activities received 28.6 percent support. TD also saw the highest support level so far this proxy season for a shareholder say-on-climate vote among the major Canadian banks at 17.9 percent compared to 21.4 percent in 2023. Average support for shareholder say-on-climate request at Canada's major banks was 19.2 percent in 2023.

Canada executive compensation

CEO pay and company performance seem to be in better alignment in Canada to date. There has not yet been a failed say-on-pay vote, although predicting the trend for the remainder of the season is challenging. In 2023, there was a failed say-on-pay vote at **Agnico Eagles Mines Limited**, stemming from multiple years of pay-for-performance issues. This year, ISS recommended support FOR Agnico's say-on-pay, noting some improvement in the company's TSR results relative to peers and the incorporation of shareholder feedback into its compensation program since the 2023 AGM. Agnico's meeting took place on April 26th where the say-on-pay proposal received over 96 percent support.

Meeting in spotlight: Gildan Activewear

Where Canada's press was captivated last year by the contentious spin-off proposal at **Teck Resources**, this year **Gildan Activewear** has taken up the mantle. Following the ousting of its founder and former CEO in late 2023, the company finds itself this year facing a proxy battle. The contest is especially noteworthy as fights involving S&P/TSX Composite Index constituents are infrequent, and the situation has grown more complex since Gildan's board confirmed it is running a sale process after receiving non-binding third-party interest.

On May 1st, five of Gildan's directors resigned and were replaced by new directors, and another two will not seek re-election at the upcoming AGM. Gildan's board has recommended support for its five new nominees at the upcoming May 28 AGM, five management nominees, and two of the dissident's nominees.

United States

New governance shareholder proposals

After several years of mostly repeat proposals, two new types of governance shareholder proposals have emerged in 2024, one seeking to require shareholder approval of director pay, and another seeking mandatory resignation of directors who fail to win majority support. The director pay proposals will be on the ballot at **NiSource** and **PayPal Holdings**, which are holding their annual meetings on May 13th and May 22nd, as well as **Fortive Corp** on June 4, and **Alphabet** and **Devon Energy**, which have not yet filed definitive proxies. They seek to limit director pay to $1 per year unless shareholders approve the pay in advance by a majority vote of shareholders (not including the directors themselves). This would not impact pay for executives, except that executives would not be permitted to receive any additional compensation for their board service. ISS Benchmark Research has flagged Alphabet for relatively high one-time onboarding grants to new directors.

The mandatory resignation proposals come in two varieties. One, submitted by John Chevedden, would prohibit the board from renominating a director who fails to win majority support, at the next annual meeting. The other variety, submitted by the Carpenters' union, is more nuanced and would allow the board to reject a director's resignation letter and renominate the director if it discloses its rationale for doing so. However, if the same director fails to win a majority a second time, which could mean that shareholders had considered and rejected the board's rationale or that some new issue had arisen, the director would then be forced off the board. 14 mandatory resignation proposals made it onto the ballot at US companies this year, of which at least five have been withdrawn. The proposal at **Adobe**, which is the only one for which we have vote results so far, received around 20 percent support.

Recurring governance shareholder proposals

Last year's most prevalent governance shareholder proposal topic was independent board chair, and it appears that trend is continuing in 2024. As of April 23, we are tracking 32 independent chair shareholder proposals on ballots through June 30. For the second year in a row, we are also seeing numerous proposals seeking shareholder approval of executive severance arrangements. We are currently tracking 25 of those proposals on ballots through June 30. A few severance proposals received majority support last year, and so companies that are targeted with these proposals will often adopt a policy to require shareholder approval of any cash severance in excess of market norms, namely three years' salary and bonus, in an effort to siphon off support for the proposal.

Proxy contests

The two largest activist targets earlier this year were **Starbucks** and **Disney**. However, the Starbucks contest was settled before getting to a vote, while at Disney the management slate prevailed easily against two sets of dissidents, albeit after spending an estimated $40 million on its defense. The expected contest at **Macy's**, whose meeting is scheduled for May 17, has also been settled with the appointment of two new independent directors. But the fight at **Norfolk Southern**, in which the dissident, Ancora Capital, is seeking a majority of board seats, is the next big contest. The Norfolk meeting is on May 9.

Labor-led, ESG-focused proxy contests like those observed at Starbucks are a rarity. However, at **Warrior Met Coal**, the AFL-CIO and United Mine Workers have used their own proxy card to submit five shareholder proposals: four on governance topics, and one seeking a third-party assessment of the company's commitment to freedom of association and collective bargaining. The Warrior Met Coal board is actually recommending that shareholders support one of the proposals to adopt a proxy access right, but is opposing the other four. The meeting was held on April 25, and two of the proposals (the adoption of proxy access right and the submission of the company's poison pill to shareholder vote) received majority support. The proposal seeking a third-party assessment of the company's commitment to freedom of association and collective bargaining received 46 percent support.

U.S. executive compensation

On the U.S. executive compensation front, there were no failed US say-on-pay votes prior to the first week of April. In each of the last three years, there was at least one notable failure in the Russell 3000 Index before the beginning of April but in 2024, failed say-on-pay votes were not observed until April.

As for early trends, we are tracking an increase in the use of relative TSR as a modifier to long-term incentive vesting, rather than a primary metric. During the pandemic, some companies had shifted to TSR-based LTI programs, which was particularly helpful for companies that wanted to maintain a performance equity program but who found it hard to set traditional multi-year performance goals in the middle of a global health crisis. As COVID receded in focus, most companies have generally returned to their normal cycle equity programs. However, many companies introducing a relative TSR modifier on top of those programs. As opposed to primary metrics, these modifiers effectively act as a secondary metric, layered on top of the normal LTI goals. The modifier then allows for additional or lower vesting, within limited bounds, based on the company's relative TSR performance, as compared to performance against a peer group or index.

While TSR continues to be one of the most significant metrics used in the market to measure company performance. Some companies likely wanted to return to their normal performance equity metrics after COVID but have found that they and their investors appreciated also having a link to their total shareholder return in their program. The modifiers also vary in intensity, with some modifiers able to shift awards by up to 25 percent while others are more modest and only raise or lower ultimate vesting by 5-10 percent. Companies may also appreciate that using TSR as a modifier, unlike using TSR as a primary metric, results in a more moderate shift in vesting for under- or out-performance.

Clawback policies

The 2024 proxy season is the first season in which companies are legally required to maintain a clawback policy in excess of what was required under the 2002 Sarbanes Oxley law. While the majority of companies, particularly large caps, had already implemented clawback policies prior to the finalization of the new rule, there were still some stragglers. This should represent the first proxy season in which all companies will have a Dodd-Frank compliant clawback policy in place, which provides an additional safeguard for investors.

U.S. meetings to watch

Axon Enterprise is a new member of the S&P 500. In 2018, CEO Smith at Axon received a similar option grant to the Musk mega-award that was recently struck down by the Delaware Court of Chancery. ISS valued the 2018 grant at Axon at $100 million and it ultimately ended up vesting based on a series of market cap and earnings goals.

Axon proposed a similar $400 million grant at last year's 2023 annual meeting. However, the proposal was withdrawn by the company in advance of the meeting. At the company's 2024 annual meeting, the compensation committee has put up another mega-grant, although valued relatively at a more modest $150 million. The grant structure for this award has shifted from options to performance-based RSUs, in response to shareholder feedback, which can be earned based on a mix of stock price and earnings goals over the next 7 years. The Axon AGM occurs on May 10th.

On May 17, **Boeing** will be holding its first shareholder meeting since the January Alaska Air door plug incident. The company has already appointed a new board chair and is looking for a new CEO to replace Dave Calhoun who will step down at the end of the year. However, the company has drawn headlines for compensation decisions made in 2023, before the recent safety incidents that prompted the leadership changes. Specifically, CEO Calhoun's reported pay increased by $10 million over last year, bringing the total to $33 million. While the most recent pay figures were mostly determined prior to the Alaska Air door plug incident in January, many investors may be looking closely at these decisions in the context of the company's challenges. CEO Calhoun has also announced he will leave Boeing at the end of

2024; he has been CEO since 2020 and the company has not yet specified what will happen to his outstanding awards.

ExxonMobil, with a meeting on May 29, will also be in the spotlight due to its ongoing lawsuit against two shareholder proponents. A different group of shareholders has already launched a Vote-No campaign targeting Chairman and CEO Darren Woods and lead director and Nominating/Governance Chair Joseph Hooley.

Lastly, **Tesla** will hold its annual meeting on June 13. Tesla is seeking re-approval of the mega stock option award to Elon Musk that was approved by shareholders in 2018 but struck down by the Delaware Court of Chancery earlier this year. The company is also seeking approval to reincorporate from Delaware to Texas.

E&S shareholder proposals

ISS is currently tracking about 575 E&S related shareholder proposals filed in the U.S. so far this year. This year's filings seem to be on track to reach the number of E&S proposals filed by year's end in 2023.

As of April 17th, the number of E&S proposals on ballot was higher than what we saw last year, 299 compared to 274. However, average support for E&S proposals that have been voted on through April 11th are down from 13.6 percent the same time last year to 12.7 percent this year.

Shareholder proposals critical of ESG

The decline in E&S proposal support has largely been driven by a significant rise in the number of proposals that have been filed by groups critical of "ESG" in some way, often of company initiatives or policies. We are currently tracking 85 such proposals filed so far this year, compared to 65 filed during all of 2023. As of April 17th, these proposals are the single most common category of E&S proposals that have made it onto ballots. They are also the most common type of E&S proposals that had gone to a vote as of April 11th. As these proposals generally historically get low support, this likely explains the drop in average support for all E&S proposals seen so far this year.

On the environmental side, the so-called anti-ESG shareholder proposals mainly focus on the topic of climate change, and have been filed at energy companies, utilities, and consumer facing companies, including financial institutions. Many of the proposals ask for a report on the risks of voluntary carbon reduction commitments and their impact on revenue generation. They often oppose the necessity of net zero by 2050 targets and argue that voluntary emissions targets and commitments, particularly with reference to Scope 3, do not take into account the technological or financial feasibility of such targets. Less than a handful of these proposals have gone to a vote so far this year and have received support in the 1-2 percent range.

On the social side, a majority of the so-called anti-ESG proposals fall under two proposal types. One asks for a report on a company's exposure to discrimination risk and its potential costs occurring directly or indirectly as a result of the company's DEI initiatives. The proposals argue that the recent Supreme Court ruling in Students for Fair Admissions v. Harvard that discriminating based on race in college admissions violates the 14th Amendment, as well as warnings from the Attorneys General of 13 states that corporate DEI programs may be implicated in this ruling. The other proposal type has been filed mainly at banks and the proponents argue that there have been cases of customers being denied service due to their religious and/or political views. The proposal asks for a report on how a company oversees risks related to customer discrimination. One of each of these proposals have been voted on thus far and both have received support in the low single digits.

Climate change shareholder proposals

Climate change related proposals are the most common proposal type filed, with 104 proposals so far of which 50 have made it onto company ballots.

A majority of these proposals are asking companies to disclose a climate transition plan or greenhouse gas (GHG) emissions targets in line with the goals of the Paris Agreement, which include full value chain emissions (i.e., scopes 1, 2, and 3 emissions). So far this year, one of these proposals has gone to a vote, at **Lennar Corporation** and received 20.7 percent support. While the proposals are on the ballots of aerospace and defense contractors **Boeing, Lockheed Martin, RTX** and **Huntington Ingalls**, they have not made in onto the ballots of any major oil and gas companies or utilities so far. As noted above, the one filed at **Exxon Mobil** was withdrawn after Exxon sued the proponents of the proposal. The proposal at **Chevron** seems to have been withdrawn for strategic reasons.

A few proposals asking for GHG emissions targets for only Scope 1 and 2 emissions have made it onto ballots as well, including at the restaurant chain **Jack in the Box**. That proposal went to a vote at the company's early March meeting and received the support of 56.6 percent of votes cast. This is the only majority-supported E&S proposal this season.

Several banks and insurance providers have also received proposals related to fossil fuel financing. A new proposal filed this year by the New York City Employees' Retirement System asking for a report on a clean energy supply financing ratio has made it onto the ballots of **Bank of America**, **Goldman Sachs**, and **Morgan Stanley**. The ratio is intended to compare financing in low-carbon energy to that in fossil-fuel energy and to provide investors information to assess a bank's net zero financing commitment relative to its financing of fossil fuels. The proposal was withdrawn at **Citigroup** and **JPMorgan** after the companies agreed to disclose their clean energy supply financing ratios.

Social shareholder proposals

Labor issues are a key topic this year. Over a dozen proposals were filed requesting several companies to conduct an independent assessment of adherence to stated commitments around workers' freedom of association and collective bargaining rights. One of these proposals has received 25.8 percent support at the government services provider, **MAXIMUS, Inc.**, which administers programs such as Medicare and Medicaid. This issue also played out at a recently withdrawn proxy contest at **Starbucks** where such a proposal had received majority support last year. In response, the company made public a report available in December 2023 assessing its commitment but was not considered sufficient by the Strategic Organizing Center (SOC) which started a proxy contest and submitted three nominees to Starbucks' board. SOC withdrew its dissident slate nine days before Starbucks' March 2024 annual shareholder meeting, following an announcement that Starbucks Workers United, the union representing the vast majority of Starbucks unionized employees, announced an agreement with the company.

Nine shareholder proposals have also been filed related to a "living wage" or sufficient pay to maintain a normal standard of living. Filed mostly at consumer facing retail companies, these proposals generally request for the preparation of a "living wage report" or ask management and the board to set compensation policies that are sufficient to support a family's basic needs. At a meeting held early in the year, such a proposal at **Walgreens Boots Alliance** received 9.7 percent shareholder support.

Artificial Intelligence (AI)

The use of artificial intelligence (AI) has become a topic of investor interest this year. Proposals were filed at several tech and media companies, including **Apple, Alphabet, Amazon, Comcast**, **Netflix, Walt Disney**, and **Warner Brothers Discovery** asking for reports on the use of AI in their business operations, and guidelines that the companies may have adopted to protect workers, customers, and the public. The proposal so far has gone to a vote at Apple where it received 37.5 percent shareholder support.

In addition, a proposal was filed at **Alphabet** and **Meta Platforms** requesting report assessing the risks to the company and to the public presented by their role in facilitating misinformation and disinformation disseminated or generated via artificial intelligence.

Non-US E&S shareholder proposals

So far this year, two significant trends have emerged with respect to non-US E&S proposals. Management say-on-climate votes are back and were slightly up in number through April, while E&S-related shareholder resolutions remain scarce.

In April, nine general meetings included management say-on-climate votes: six in Europe, two in Canada, and one in Australia, two more than the seven observed in April 2023. However, only two of the nine proposals were at first-time submitters: **Gecina**, a French real estate company, and **Gea Group**, a German industrial machinery company.

The French real estate company **Icade** has also tabled its management say-on-climate proposal and its biodiversity plan under two separate items, believed to be a first among listed companies. Last year, Icade bundled its climate and biodiversity strategies in one single agenda item.

With regard to shareholder resolutions, as usual, very few instances come up outside the U.S. market, and those are mainly in the Nordic countries and in Canada.

The financial sector remains the most targeted with E&S shareholder proposals. Four Nordic banks and four Canadian banks have received requests from shareholders to include items related to their policies and/or activities towards financing of fossil fuel.

The minority shareholder association from Québec, Médac, has also continued its campaign to request say-on-climate votes at major Canadian banks, holding up to its commitment announced some months ago. The main Canadian banks have been asked to disclose green financing ratios, similar to US banks. Some Canadian banks also received so-called "anti-ESG" resolutions from InvestNow.

With respect to new E&S proposal types, shareholders in Switzerland can now vote on company non-financial information reports. This is a mandatory vote for larger Swiss companies that was expected after Swiss law changed in January 2022.

Non-US E&S meetings to watch

GEA group was one of the two first-time submitters of a management say-on-climate vote in April. The company's transition plan appears to have been well considered as the company's business strategy fully integrates climate considerations. Hence, shareholders were mostly favorable to the company's transition plan during their roadshow. GEA's AGM will took place on April 30th, and the management say-on-climate proposal received 98.4 percent support.

The Australian energy company **Woodside's** submitted its climate transition plan for the second time. The first time was in 2022 and the plan did not receive strong support from shareholders at 51.03 percent of votes cast (excluding abstentions). This year's plan is considered to have improved, although some shortcomings remain, including a reliance on technological developments that are uncertain to materialize. Still, 58.4 percent of votes were cast against the plan. In response, the CEO said that while the company will not make promises that it cannot deliver, it nonetheless commits to set goals and make decisions informed by available science, in line with its capital allocation framework and its commitment to energy security.

Several other meetings to be held in May include say-on-climate votes at oil&gas companies **BP and Shell**, in the UK, **Totalenergies** in France, and **Repsol** in Spain.

UK's Glencore is also expected to submit its climate transition plan in 2024 for the third consecutive year. Shareholder support for the company's climate report and climate action plan have been diminishing over time and, according to the Australasian Centre for Corporate Responsibility which has recently released criticisms of Glencore's updated plan, show no signs of improvement.

Europe

In connection with the fast-developing regulatory framework in Europe, particularly as a result of the sustainable finance agenda, a few new resolutions have made it onto company ballots across Europe. Firstly, resolutions to appoint auditors for non-financial assurance on sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) have appeared in some European markets. However, the resolution is not consistently presented on agendas or widely spread across the EU. But it has been a common occurrence in certain markets. There have also been substantial increases in fees for audit committees related to the additional non-financial audit work, often because of increased workload. Secondly, in Switzerland we have seen the first-year voting cycle of approval of the non-financial report. Around half of Swiss non-financial reports have received limited assurance by the auditor and the other half no assurance at all.

Remuneration policy votes in Europe

In 2020, following the implementation of SRD II investors voted on the first cycle of EU remuneration policy proposals. This year is the second cycle in many European markets, save for markets such as Germany which has a one-year lag on SRD II implementation and Italy where remuneration policy votes are annual.

In this year's remuneration policy vote cycle, we have not observed companies propose significant overhauls to their compensation programs, and some companies have in many instances shown responsiveness to shareholder feedback from the first round, particularly with regard to increasing the weighting and providing concrete disclosure of ESG metrics. However, concerns remain with the wide scope of derogation clauses in many markets.

The use of the derogation provisions has raised concerns among many investors. Under SRD II, this provision was aimed particularly at allowing a board to deviate from its shareholder-approved pay policy in exceptional circumstances to assure the company's long-term viability. However, there have seen instances where boards have used this provision to grant CEO's one-off transaction-related awards or retention bonuses, such as at car manufacturer **Stellantis** or at stock exchange **Euronext.** This has raised questions among some investors as to whether not awarding such a bonus would really risk the company's continuity and to what degree the retention of an executive could be considered an exceptional circumstance.

Other remuneration items in Europe

Improved disclosure practices, particularly on achievement levels against selected performance metrics have also been observed this proxy season, improving investors' understanding of how a company's performance is reflected in executive pay. However, this information still remains quite limited for smaller companies and in certain markets.

There have also been increased discussions across several European markets regarding the competitiveness of pay, particularly for globally operating companies. There have been increased number of instances in which companies select U.S. companies as pay peers, which has further put upward pressure on European pay packages, in some instances increasingly diverging from European quantum levels. Such concerns have been raised at companies such as **Stellantis, Zalando**, and **Genmab**, and the issue has been largely linked to sectors such as biotech, pharmaceuticals, and semiconductors. Typically, companies argue that they need to attract talent in a global, competitive market.

Virtual-only Meetings

While the European discussions and resolutions on enabling companies to hold virtual-only meetings is slowing down, there is an interesting shareholder proposal at German mineral supplier **K+S**. The board is authorized to call virtual-only meetings, but the shareholder proposes instead to ensure the board holds physical or hybrid meetings, reserving the virtual format only for exceptional circumstances. There have also been management proposals to allow virtual-only meetings in the Netherlands and Italy. For Sweden, the legislation permits amendments to relevant articles since January 1, 2024, but very few proposals have been put forth. One was presented early in the season where the company received media attention and significant pushback by local investors, leading to a withdrawal of the proposal which set a precedent for the rest of the Swedish voting season.

Executive remuneration in the U.K.

In terms of U.K. remuneration, most companies submitted their tri-annual remuneration policy proposals in 2023 so there were fewer changes to remuneration structures proposed this year. However, there have been two high profile examples of very significant forfeiture of pay in 2024. **Barclays** and **BP** both took action to withhold the pay of former CEOs. At Barclays, the former CEO was Jes Staley, who was fined and barred from the UK finance industry for misleading officials over his relationship with Jeffrey Epstein. In the case of BP, the former CEO's pay was forfeited when he was dismissed for withholding information on personal relationships from the board.

Audit reform in the U.K.

Audit reform has been anticipated for several years in the UK, following a trio of reviews and recommendations in the 2018-2019 period, and government proposals in 2022. Many of the reforms pivoted on the establishment of a new and more-empowered regulator, Audit, Reporting and Governance Authority (ARGA). The omission of any timetable for establishing this regulator from the King's Speech last November, a speech which sets out the UK government's priorities for the year, has signaled that any fundamental changes to the audit regime are unlikely in the near term. This has been met with disappointment in several quarters. Many of the companies that we have been engaging with before season, and analyzing during season, had already prepared for the enhanced role of the audit committee that had been expected and has now been postponed.

U.K. Corporate Governance Code Update

The FRC undertook a consultation on proposed revisions to the Code, ending in September 2023. Originally, there were eighteen amendments suggested. After the King's speech, the mooted reforms were whittled down considerably, and the main surviving amendment relates to internal controls assurance. The head of the FRC, Richard Moriarty, has been emphasising the importance of the 'explain' part of the 'comply or explain' principle which underpins the UK's approach to corporate governance.

U.K. competitiveness

Similar to other European markets, one of the dominants themes under discussion are fears that UK competitiveness will be inhibited by the fact that U.S. peers typically pay more. This especially applies to larger companies with high proportions of revenue coming from the U.S., who are competing with U.S. peers to attract and retain talent. While this is not a new debate, it has come into sharper focus in recent months. It was the main subject on which ISS engaged with clients last year, both in our annual survey and through roundtables. We will continue to monitor developments and elicit client views. This proxy season, the debate was showcased in the meetings of **Astrazeneca** and **Smith & Nephew** in the pharmaceutical sphere, and the **London Stock Exchange Group**. Each of these companies submitted pay proposals where the quantum, or the structure, was influenced by U.S. standards. The subject has also received attention in the mainstream press, with opinions somewhat polarized.

European meetings to watch

There have been fewer management say-on-climate proposals in 2023 and 2024, compared to the relatively high number seen in 2022. The most high-profile meetings on the climate front will be oil major **Shell** and commodity trader and miner **Glencore**. Both will submit fresh climate proposals for shareholder approval this year. In 2023, Glencore's climate proposal attracted a relatively high level of dissent (30.25 percent opposition), and a shareholder proposal, seeking information on whether the company's plans were Paris-aligned, gained a relatively high level of support (29.2 percent support). Shell has indicated that, in a departure from previous practice, it will not hold annual votes on progress against the three-year transition plan. Shareholder group Follows This, supported by a consortium of investors is again submitting a proposal at Shell's AGM. This year, it broke its established practice of tabling an identical resolution at the BP meeting. The Shell and Glencore meetings are both scheduled for the end of May.

German media company **ProSieben** received proposals from its 27 percent shareholder Media For Europe (formerly Berlusconi's Mediaset), to split the company's business lines in two separate companies and to gain control of the company's entertainment business. The meeting took place on April 30th where shareholder rejected the proposed split.

The long-awaited contest for board seats at Italy's main telecom provider **Telecom Italia** was due on April 23. A total of four director slates were presented, and two slates for the internal auditors. The contest for board seats followed concerns raised by Telecom Italia's main shareholder **Vivendi** regarding the sale of company assets and the absence of a shareholder vote on this transaction. Telecom Italia's CEO Pietro Labriola survived the attempt to unseat him. The company won six seats, while two dissenting shareholders received three seats.

Netherlands headquartered Car manufacturer **Stellantis** held its meeting on April 16. Although the remuneration report was approved with a 70 percent majority, when excluding the double voting power of the reference shareholder, 70 percent of the free float did not support the remuneration report vote for the 2023 reporting year. The total CEO pay package of 42 million euros particularly caught the attention of many investors, which was driven by a 10 million euro one-off bonus for transforming the company. A key rationale presented by the company was the competitiveness of CEO pay versus U.S. peers.

In France, **Publicis** is proposing an important change to its corporate governance structure. The company proposes to appoint its current CEO, as chair/CEO. **Atos** will also be under heavy scrutiny from investors given its ongoing financial and corporate restructuring plans. The French State has stepped in to ensure the continuation of the company at least in relation to activities considered strategic by the French State. The French State has offered a non-binding intent to acquire Atos' cybersecurity and computing assets. The company's financial restructuring plan with creditors needs to be finalized no later than July 2024.

Asia

The China proxy season picks up the pace from the third week of March every year, with a substantial number of meeting notices released starting from early April. To date, a substantial number of company article amendments have been presented in response to the latest regulatory overhaul on independent director and auditor tenures.

Singapore's proxy season has recently wrapped up. One notable trend has been the frequent reclassification of independent director candidates as non-independent. This is due to the new listing rules that came out in 2023 stipulating those independent directors who have served more than 9 years will no longer be considered independent. The reclassification was more prevalent in smaller companies. It appears many of the smaller listed companies have not found replacements for their long tenured directors.

Finally, elsewhere in the Asia ex-Japan region several proxy seasons are either already underway or are about to ramp up. For example, Thailand, Philippines, and Vietnam proxy seasons are ongoing and the Malaysia proxy season is expected to hit its peak in mid-May.

Special Coverage: Upcoming Japan Main AGM Season

2024's peak Japan main season meeting date is expected to be Thursday, June 27th, when 30 percent of June annual meetings or about 600 meetings are expected to be held. The second busiest day is expected to be June 26th, followed by June 25th, and June 21st.

Japanese boards

Over the past several years, we had continuously reported an increasing number of outside directors at Japanese companies. However, the same trend is unlikely to be observed again this year because most companies are now in compliance with the Japan Corporate Governance Code. The Code recommends companies listed on the Tokyo Stock Exchange's Prime Market to have at least one-third independent board, and companies on TSE's Standard Market to appoint a minimum of two independent directors.

At the close of Japan's March 2024 "mini-season," 97 percent of Prime listed companies and 86 percent of Standard listed companies were already in compliance with the Code's recommendations. Overall, as of March 2024, 84 percent of companies covered by ISS had boards composed of at least one-third outsiders. In addition, at 24 percent of companies covered, at least half of the board members were independent outsiders (based on the TSE classification).

In terms of board gender diversity, we expect continued increase in the number of companies with female directors. As of March this year, 71 percent of companies had at least one female director (which represents an increase from 68 percent a year earlier).

Environmental shareholder proposals

One notable development during the 2024 Japan March "mini season" was the increased prevalence of environmental shareholder proposals. Environmental NGOs have submitted a proposal calling for article amendments to enhance disclosure regarding director competencies to manage climate-related business risks and opportunities. The proposal was submitted at **Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group, Mizuho Financial Group,** and **Chubu Electric Power Co.** The NGOs also submitted additional proposals at the three banking groups, requesting article amendments to disclose a monitoring process for client companies' climate change transition plans.

Furthermore, many investors have been concerned about various allegations related to compliance issues. These include allegations of bid rigging by non-life insurance companies, initial public offering price manipulation by **SBI Holdings**, data falsification by group companies of **Toyota Motor**, and information leakage by **LY Corp.**, and **Nippon Telegraph & Telephone Corp.**

Low capital efficiency

The Tokyo Stock Exchange has continued to tackle the issue of low capital efficiency of Japanese companies. The exchange currently requires companies to formulate and disclose plans to improve capital efficiency, particularly if companies are valued at a price to book-value ratio (PBR) of less than one. In January 2024, the TSE released a list of companies which disclosed such plans. According to the exchange, as of Dec. 31, 2023, 39.9 percent of companies listed on the Prime Market and 11.8 percent companies listed on the Standard Market disclosed their plans. The exchange plans to update the list every month to call attention to the issue.

This development gives activist shareholders good cause to engage with companies. In fact, ISS expects to see a number of shareholder proposals submitted by activist shareholders calling for better shareholder return and capital efficiency improvement such as dividend increases and/or share repurchases. Last year, ISS covered about 60 companies where such proposals were presented, and we expect to see the trend continue this proxy season as well.

Special Update: 2024 Korea Season Review

Meeting concentration remained extremely high and skewed in Korea, with 96 percent of companies in the ISS coverage universe holding their meetings in the last seven working days of March, and 57 percent in the last two days. Over the years, the regulator has tried to reduce meeting concentration through various efforts such as mandating corporate issuers to release audited financials together with their proxy statement or relaxing the restriction on record dates. Despite these efforts, the challenges of high meeting concentration remain unresolved.

Key trends

While some of the major companies embarked this season on making governance improvements, concerns regarding many boards' fundamental perspective of their fiduciary duties generally remained unaddressed.

For example, many boards continued to nominate incumbent directors who have records of material governance failures. Many of these problematic directors are members of the founding family at these companies. However, there were some bright spots. **Hankook Tire Group** was a good example where the nomination of a director with material governance failure was ultimately withdrawn by the company due to the pressure from shareholders.

Activism in Korea

Ahead of the 2024 proxy season, based on the high number of news articles regarding potential activist campaigns, we had expecting to see quite a number of poxy contests. However, the number of companies that ultimately had a proxy contest decreased by close to 40 percent.

While minority shareholders have been more vocal and active, it seemed that both issuers and investors strived to find a middle ground through engagement efforts.

Of those that ultimately resulted in proxy contests this season, besides director elections, the debate over capital allocation continued. But even on the capital allocation front, more companies proactively had announced share repurchase plans and cancellation of treasury shares throughout 2023.

Gender diversity and E&S proposals in Korea

On the E&S front, there has been an increase in sustainability committees on Korean corporate boards. The number of companies establishing sustainability committees increased substantially since 2016. Most of these committees are based on the existing governance committee with the addition of the E&S oversight function, Currently, 14 percent of Korean companies in the ISS coverage universe have sustainability committees.

On the E&S shareholder proposals front, no E&S shareholder proposals have been submitted this year (or looking back at previous years). This is the case for Korea, and for most of the rest of the Asia ex-Japan region. This is not entirely surprising, as the main focus for majority of shareholders are still on fundamental corporate governance issues.

In terms of board gender diversity, however, there have been visible improvements among large-size Korean companies. This is mainly driven by the regulatory requirement. The number of female directors in the ISS Korea coverage universe almost tripled compared to 2021. Close to 34 percent of companies in our universe have at least one female director, which is a marked improvement compared to 8 percent in 2016. It is worth noting that smaller companies are still not legally required to have any women on their boards.

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